Appendix 3: Hedging Strategies

UBS — Interest rate outlook

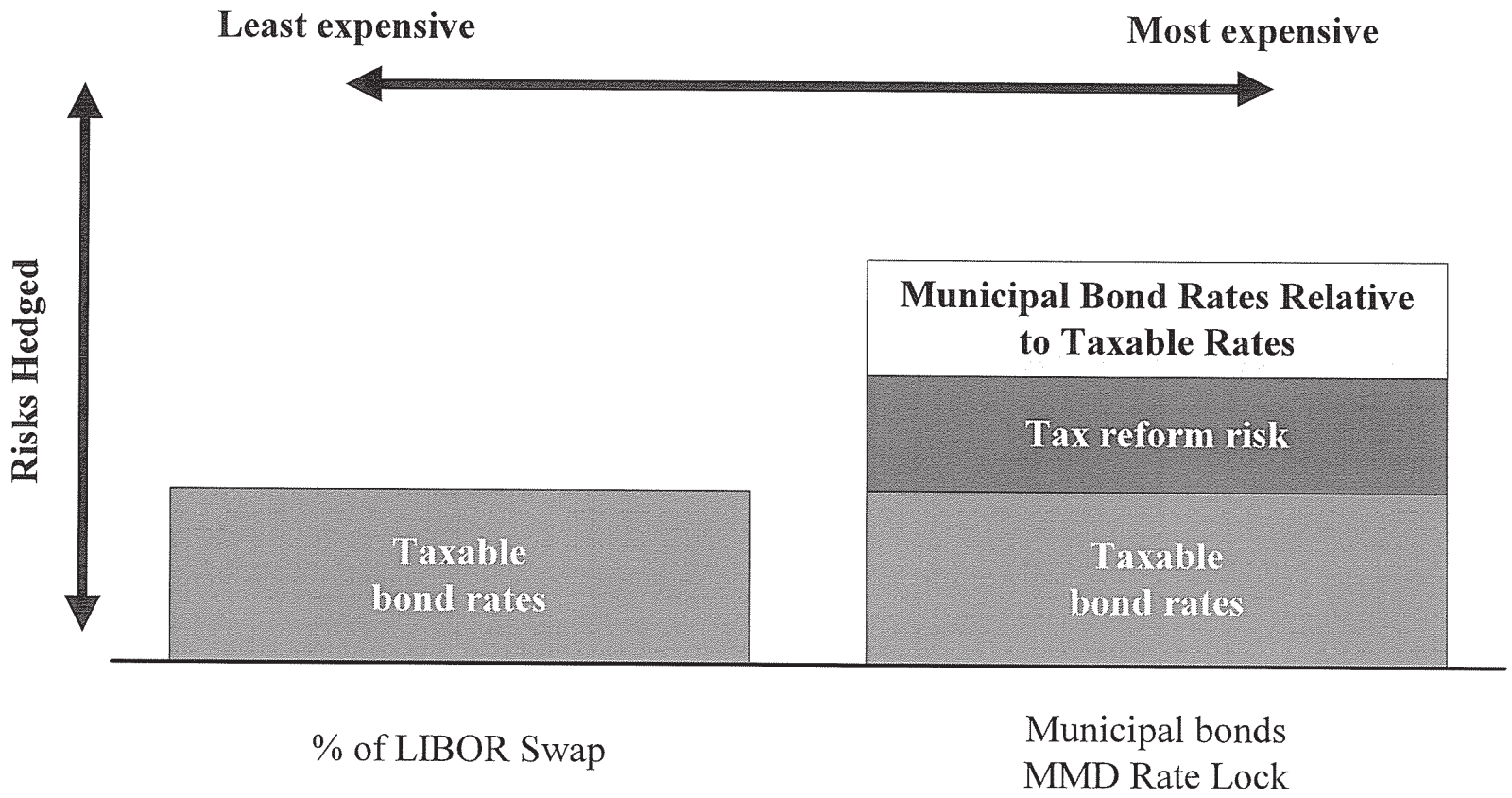
- On February 2, 2005 Federal Reserve policy makers raised the benchmark U.S. interest rate another quarter point to 2.50 percent and restated a pledge to lift borrowing costs at a "measured" pace to suppress inflation without stifling growth
- The 25 basis point increase was consistent with UBS estimates and in-line with year-end projections of 4.0% at the end of 2005
- UBS economists anticipate "core" Consumer Price Index inflation rising to 2.8% by the end of this year

	2004		2005				Annual Average			End of Year		
	3QA	4QA	1QE	2QE	3QE	4QE	2003A	2004A	2005E	2003A	2004A	2005E
Federal funds rate	1.8%	2.3%	2.8%	3.3%	3.8%	4.0%	1.1%	1.6%	3.4%	1.0%	2.3%	4.0%
3-month T-bill rate (bond-equivalent yield)	1.7	2.2	2.9	3.4	3.9	4.2	1.0	1.6	3.6	1.0	2.2	4.2
2-year government notes	2.6	3.1	3.5	3.9	4.2	4.3	1.5	2.5	4.0	1.8	3.1	4.3
10-year government notes	4.1	4.2	4.5	4.8	4.8	5.0	3.9	4.2	4.8	4.3	4.2	5.0

Note: Quarterly forecasts are for end of period yields.

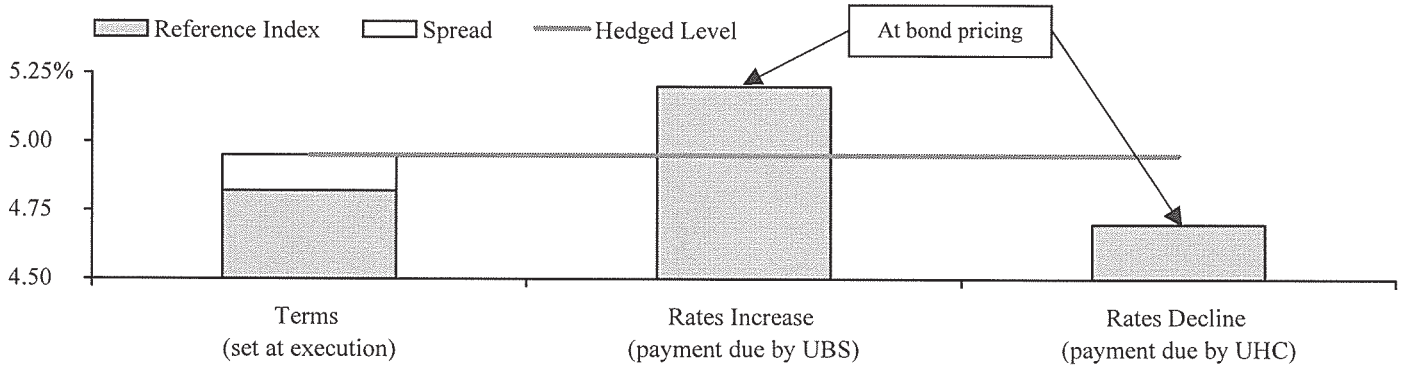
Note: For illustration purposes only; actual rates will depend on future market conditions, which may vary.
Sources: UBS's *U.S. Economic Perspectives*; Federal Reserve Press Release.

UBS recommends UHC consider executing an interest rate hedge to lock in project interest costs



The purpose of a rate lock is to eliminate general bond market risk

- A Rate Lock protects UHC from volatility in the general municipal bond market
- Under the Rate Lock, each party agrees to the following:
  - **Upon execution:** UBS sets a Hedged Level equal to a basis point spread above a selected municipal bond index (the "Reference Index"), usually the Municipal Market Data ("MMD") AAA scale.
  - **At settlement (bond pricing date):** Either UBS or UHC makes a payment to the opposite party reflecting the present value difference between bond interest calculated at (a) the Hedged Level and (b) the Reference Index level at the time of bond pricing.



- There is no upfront cost to enter the Rate Lock; a payment may be due or received at settlement
  - If rates are above the hedged level, UHC receives a payment
  - If rates are below the hedged level, UHC makes a payment
- A Rate Lock may be entered into for any portion of a future sale

Indicative Pricing: MMD rate lock

Assumptions

Reference index:	MMD AAA Scale
Par amount:	$180 million
Average life:	19 years

Indicative Pricing

	Duration		
	3-months	6-months	9-months
Effective	July 1, 2005	October 1, 2005	January 1, 2006
Rate lock premium	13 basis points	17 basis points	26 basis points

Payment at Settlement Date

MMD at Settlement Date	Payment to/(from) UHC [2]
+75 bps	$ 8,850,000
+25 bps	2,950,000
Hedged Level [1]	0
-25 bps	(2,950,000)
-75 bps	(8,850,000)

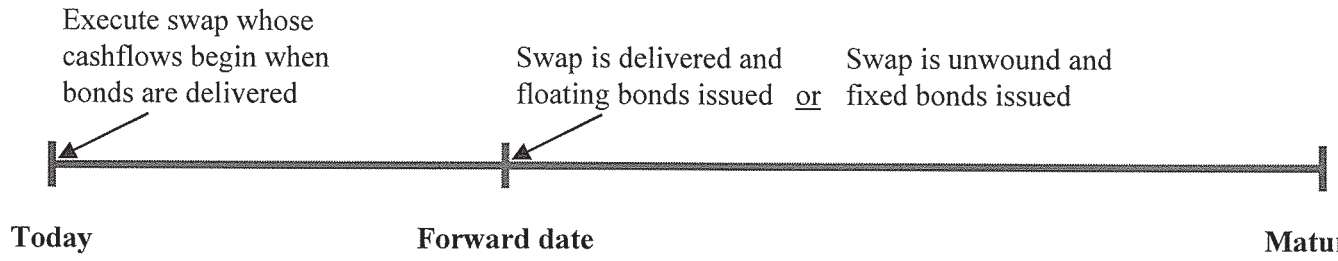
- Payment can be funded from bond proceeds

(1) Equals current MMD plus rate lock premium.
(2) Approximate present value of a basis point of $118,000 on a 6-month forward. This will vary based on the amortization and market conditions.

Advantages and risks associated with a rate lock

Advantages	Risks
■ UHC locks in today's market environment by hedging against general tax-exempt bond market movements	■ MMD rate lock does not hedge changes in UHC's credit spread
■ MMD rate lock documentation is a relatively simple 10 to 12 page agreement between UHC and the hedge provider	■ Lock is cash settled regardless of whether or not the bonds are issued, potentially exposing UHC to making a cash payment from its own funds if the bonds are not issued

Alternatively, a forward-starting swap-to-fixed also locks in the current market

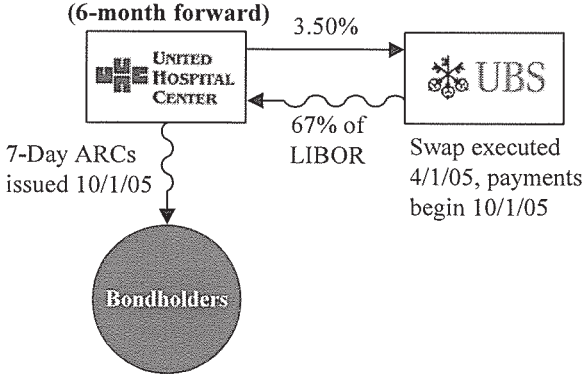


- UHC agrees today to enter into a floating-to-fixed swap on the forward date
  - — Fixed swap rate is set today at today's market plus forward premium
  - — UHC agrees to receive a floating rate index (a percentage of LIBOR) and pay a fixed swap rate on the swap
  - — Cashflows are scheduled for an amount and term that mirrors the bond's amortization
- Forward swap allows UHC to use the swap market (hedging market) to lock in a bond rate (hedged market)
  - — Swap market has lower hedge/forward premium than MMD rate lock or forward bonds
- On the forward date, UHC can cash settle the swap and issue fixed rate bonds or issue floating rate bonds and enter into the swap

Indicative pricing: Forward-starting 67% of LIBOR swap

Assumptions	
Reference index:	67% of LIBOR
Par amount:	$180 million
Average life:	19 years

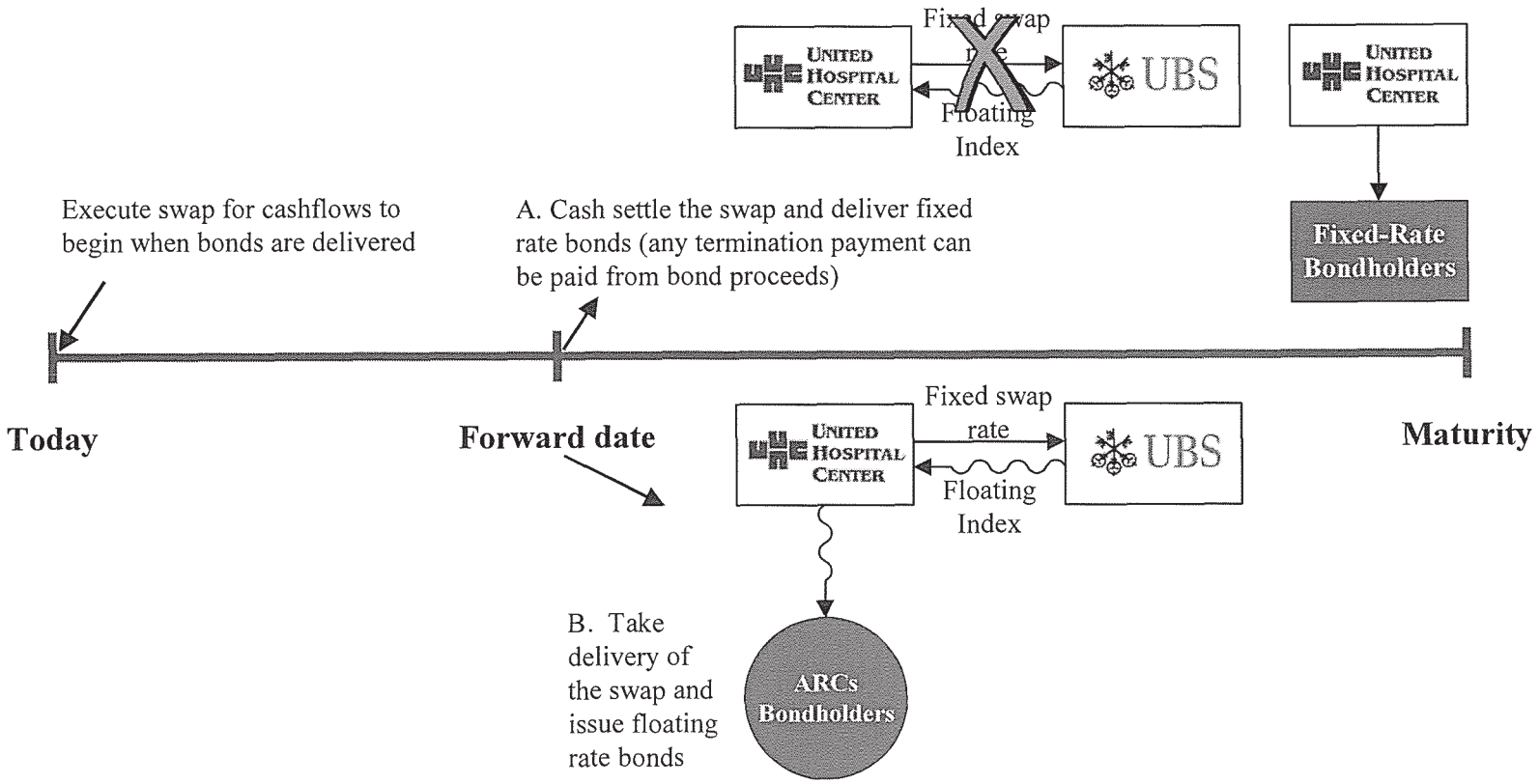
Mechanics
(6-month forward)



Indicative Pricing

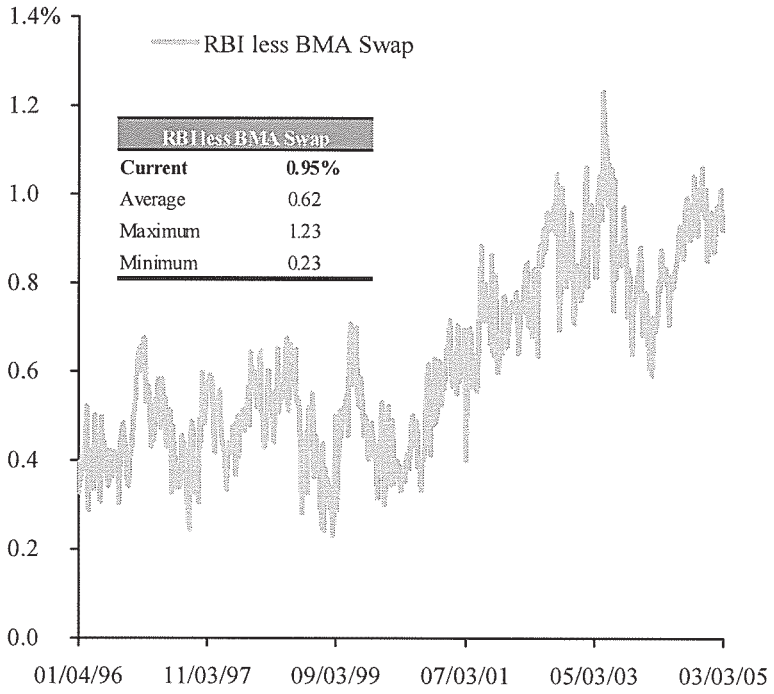
	Duration		
	3-Months	6-Months	9-Months
Effective	July 1, 2005	October 1, 2005	January 1, 2006
Spot swap rate	3.50%	3.50%	3.50%
Forward premium	0.02	0.05	0.07
Forward swap rate	3.52%	3.55%	3.57%

On the forward date, UHC can choose to issue natural fixed-rate bonds — unwinding the swap and triggering a cash settlement



Using swaps to hedge municipal bonds carries basis risk, though it is a less expensive approach than an MMD rate lock

Muni cash minus swap



Market forces

- Municipal bond market
  - Demand cash flow
  - Supply cycle
  - Maturity preferences
  - "Slow" to react
- Tax-exempt swap market
  - U.S. Treasury rates
  - Swap and credit spreads
  - "Arbitrage" opportunities
  - Maturity preferences
  - Dealer hedging activities

Summary of Alternatives

	MMD Rate Lock	Forward–Starting Swap
Forward Spread (3 months)	13 basis points	2 basis points
Mechanics	■ Contract signed today, locking in spread to current MMD ■ When unwound, UHC either receives or makes a payment	■ Swap is signed today, locking in swap rate with cash flows to begin on bond issuance ■ Swap can be cash settled or delivered
Advantages	■ Best relationship to tax-exempt bond market	■ Lowest cost/lowest spread ■ UHC has the flexibility to unwind or take delivery of the swap
Disadvantages	■ Most expansive/highest spread ■ Must be unwound on scheduled date	■ Unwind value not as closely tied to movements in the tax-exempt bond market ■ Carries risks associated with interest rate swaps

Appendix 4: WVUHS Pro Forma Credit Profile

WVUHS's dominant market position and historic profitability serve to mitigate the impact of UHC's pending issuance in credit analyses

WVUHS Ratios

		Pro Forma		Medians	
	2004	2005A & B	2005C	S&P "A+"	Moody's "A1"
Debt-to-cash flow (x)	2.7	3.2	5.3	–	3.4
MADS coverage (x)	5.2	5.0	3.5	4.6	4.0
Debt-to-capitalization (%)	28.9	32.7	44.9	39.4	36.2
Cash-to-debt (%)	176.2	144.7	86.0	114.6	118.3

UHC Ratios

		Pro Forma	Medians	
	2004	2005C	S&P "A+"	Moody's "A1"
Debt-to-cash flow (x)	1.3	9.6	–	3.4
MADS coverage (x)	6.0	1.9	4.6	4.0
Debt-to-capitalization (%)	12.1	51.6	39.4	36.2
Cash-to-debt (%)	424.6	54.8	114.6	118.3

Appendix 5: Derivatives — Risk and Credit Considerations

Derivatives — Credit Disclosure

"When you execute a derivative product transaction with UBS Financial Services, the booking entity for the transaction is UBS AG, Stamford branch. UBS AG will be your counterparty in the proposed transaction; neither it nor UBS Financial Services is your agent or fiduciary. You are expected to exercise your own independent judgment as to whether this transaction is consistent with your financial objectives. All material terms of the transaction will be memorialized in a contract, which will govern the transaction and which you should read and understand. You should consult your own legal, business, tax, and accounting and other advisors, including financial advisors, with respect to the transaction, as necessary.

This proposal does not constitute a commitment on the part of UBS AG or any of its affiliated entities (together, "UBS") to enter into a transaction, or an agreement to provide such a commitment in the future, and no assurance is made that a transaction can be successfully concluded or successfully concluded at the levels indicated herein. Execution of a transaction is subject to final approval by appropriate senior management within UBS (including, without limitation, approval by the credit and legal departments), agreement as to the final economic structure of the transaction, no material adverse change in any relevant condition (financial or otherwise), execution of satisfactory documentation, receipt of relevant legal opinions in accordance with UBS and market practice for this type of transaction, and appropriate market conditions at the time of the execution of the transaction.

In light of the foregoing, we strongly suggest that you discuss with us the status of a transaction prior to making any public statements identifying UBS as the counterparty to the transaction or taking final action to approve and/or authorize the transaction."

Although each municipal derivative is unique, the following risk factors may influence the benefit derived from a particular structure

Interest Rate Risk

Interest rate risk is the possibility that your debt service costs associated with variable rate debt increase and negatively affect coverage ratios and cash flow margins. The interest rate you pay can increase as interest rates increase generally or because of credit concerns relating to you or the sector/industry of which you are a part.

Liquidity Risk Related to Variable Rate Demand Obligations and Auction Rate Certificates

Issuers of variable rate demand obligations ("VRDOs") face particular liquidity risk because of the embedded tender options in this debt. If a VRDO bond remarketing were to fail, the liquidity provider providing liquidity support to cover tenders would own the bonds, at which point you would have to pay the "bank rate" and pay off the bonds in a much shorter period of time. The bank rate typically is pegged at a few percentage points higher than the prime rate. If you provide your own liquidity, you may be forced to liquidate investment assets at an inopportune time to pay for tendered, but unremarketed, bonds.

Issuers of auction rate certificates ("ARCs") face particular liquidity risk because of the auction procedures applicable to this type of debt. If an auction were to fail, holders will generally receive the "maximum rate," which rate is typically substantially higher than the rate the issuer would expect to pay if an auction did not fail. You may decide or may be compelled by a credit provider to liquidate assets at an inopportune time to redeem ARCs subject to the "maximum rate."

Tax Risk

All issuers who issue tax-exempt variable rate debt inherently accept risk stemming from changes in marginal income tax rates. Decreases in marginal income tax rates for individuals and corporations could result in tax-exempt variable rates rising faster than taxable variable rates. This is a result of the tax code's impact on the trading value of tax-exempt bonds. This risk is also known as "tax event" risk, a form of basis risk under swap contracts. Percentage of LIBOR and certain BMA swaps can also expose issuers to tax event risk. Some BMA swaps have tax event triggers which can change the basis under the swap to a LIBOR basis from BMA.

Counterparty Risk

Counterparty risk is the risk that the swap counterparty will not perform pursuant to the contract's terms. Under a fixed payor swap, for example, if the counterparty defaults, the issuer would be exposed to an unhedged variable rate bond position. The creditworthiness of the counterparty is indicated by its issuer credit rating. When you execute a swap transaction with UBS Financial Services, the booking entity (counterparty) for the transaction is UBS AG, Stamford branch.

Basis Risk

Basis risk refers to a mismatch between the interest rate received from the swap contract and the interest actually owed on the issuer's bonds. Your risk is that the variable interest payments received from UBS AG will be less than the variable interest payments actually owed on your VRDOs. You pay a fixed interest rate and in return receive a floating variable rated based on LIBOR or the BMA Municipal Swap index. The mismatch between the actual bond rate and the swap interest rate could cause financial loss to you. This mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of your credit quality, or a reduction of federal income tax rates for corporations and individuals.

Market and Termination Risk

Termination risk is the risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade for you or UBS AG, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events as defined in your bond indenture.

From time to time, you may ask us to provide you with a termination value. Product values after execution and before maturity are subjective judgments based on projected future market conditions. Also, reference prices or indices underlying the product may change, possibly increasing your cost of unwinding a transaction if you choose to do so. Please note that you should not regard the provisions of a termination value as an offer on our part to terminate, unless we have specifically identified such termination value as a live quote. Termination may require a payment to be made by you or may result in a payment being made to you, depending on the market at the time of termination.

In certain circumstances, you may determine that it would be advantageous to voluntarily terminate a swap transaction or to assign a swap transaction to another party. Prior to assigning a swap, you must obtain consent from UBS AG. UBS AG's decision regarding an assignment to another counterparty will be at its discretion.

Rollover Risk

Rollover risk is the risk that the swap contract is not coterminous with the related bonds. If you entered into the swap to hedge for a specified period of time and decide at termination that you wish to maintain the same or a similar hedge position, you may incur rehedging costs at that time.

Mark-to-Market Risk (for FASB issuers)

FASB Statement No. 133 (*Accounting for Derivative Instruments and Hedging Activity*), as amended by FASB Statement No. 138, requires all derivatives to be recorded on the balance sheet at *fair value*. FASB allows for the change in the fair value of the derivative instrument to be netted by the change in the fair value of the hedged item. The difference between those changes will be reflected on the income statement as an investment gain or loss.

Compliance with FASB rules may require that you include fluctuations in income on your income statement due to inefficient hedge structures. Inefficiencies can arise for market dislocations whereby the derivative market may not perform analogously to the market of the hedged item. Inefficiencies can also arise from interest rate risk, tax risk, termination risk, and basis risk.

Appendix 6: WVUH Rating Reports